

Capitalisation

Results of the first quarter 2010

- Total adjusted capital after first quarter is DKK 9,505m compared to a required capital of DKK 9,273m.
- During the first quarter of 2010 the buffer to `A` range has decreased by 5% point (DKK 463m) to 3% (DKK 231m). If the non-executed share buy back programme is included the buffer to `A` range is 11%.
- The NOK/DKK exchange rate has increased by 3.9%, which has contributed adversely to the buffer by 1% point.

	Q4	Q1	Change	Exchange
DKKm	2009	2010	quarter	rate effect
Asset risk	2,423	2,546	123	52
Liability risk	7,383	7,605	222	71
Diversification	(848)	(877)	(30)	(11)
Required capital	8,959	9,273	315	112
Available capital	9,653	9,505	(148)	39
Buffer	694	231	(463)	(73)
Buffer %	8%	3%/11%	-5%	-1%

Asset risk

The average asset charge by the first quarter of 2010 is 5.2% of the total assets (D) giving a charge of DKK 2,546m. This represents an increase of DKK 123m which is driven by an increase in the credit risk of the bond portfolio. Also, the proportion of equities has slightly increased to 4.2% in the current quarter, which is a result of a value increase.

Liability risk

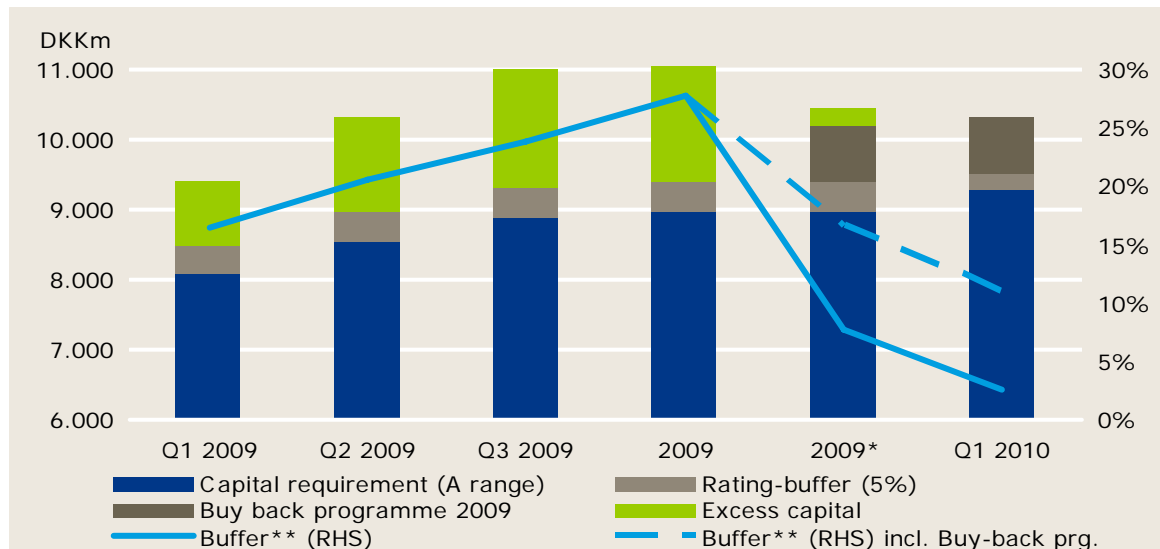
Liability risk has increased by DKK 222m to 7,605m, which is explained by the increase in net reserves (excl. annuities) and a minor increase in premiums. The average risk charges for the two largest components within liability risk, premium risk and reserve risk are 19.7% and 18.3%, respectively.

Total adjusted capital (TAC)

The total adjusted capital amounts to DKK 9,505m – a decrease of DKK 148m compared to last quarter. This corresponds to a buffer of 3% to the `A` target. The DKK 148m decrease in available capital is mainly made up of the first quarter's result of DKK -101m. If the non-executed share buy back programme is included the buffer to `A` range is 11%.

Development in total adjusted capital and target capital

The figure below shows the development in the capital requirement, the self imposed rating buffer, excess capital, and the buffer to the `A` range. The sum of the first three mentioned, is the available capital.



* After dividends

** The buffer includes the 5% percent self imposed buffer to the A-range

Sensitivity analysis

The table below illustrates the impact of four different scenarios. E.g. a 1% increase in weight of equities in the total investment portfolio will have an effect on required capital of DKK 132m after diversification, corresponding to a 1% reduction of the buffer to the A range.

	Scenario A: Equities	Scenario B: Exchange rate	Scenario C: Growth	Scenario D: Reserves
Asset risk	138	127	127	0
Liability risk	0	177	380	188
Diversification	(7)	(26)	(50)	(20)
Required capital	132	278	458	169
Available capital	0	101	1	0
Buffer	(132)	(177)	(457)	(169)
Buffer %	-2%	-2%	-5%	-2%

Scenario A: 1% increase in weight of equities in total investment portfolio

Scenario B: 10% increase in the NOK/DKK exchange rate

Scenario C: 5% growth of businesses

Scenario D: 5% strengthening of reserves in all line of businesses

Results from the simplified capital model

DKKm	Risk charges Q1	FY 2009	Q1 2010	Change Quarter	Change YTD	
A	Net premiums (12 months) *	17,601	17,803	202	202	
B	Net reserves incl. annuities	21,305	22,527	1,222	1,222	
C	Annuities	1,989	1,965	(24)	(24)	
D	Total assets	44,743	48,670	3,926	3,926	
E	Asset risk	5.2%	2,423	2,546	123	123
F	Premium risk	19.7%	3,483	3,505	23	23
G	Reserve risk	18.3%	3,574	3,773	199	199
H	Life reserve risk	0.9%	17	17	(0)	(0)
I	Catastrophe		174	174	-	-
J	Bond insurance		135	136	1	1
	Liability risk		7,383	7,605	222	222
K	Required capital, `A` range		9,806	10,151	345	345
L	Diversification	8.6%	(848)	(877)	(30)	(30)
M	Diversified required capital		8,959	9,273	315	315
N	Diversified required capital +5% buffer		9,406	9,737	330	330
O	Equity		9,666	9,463	(203)	(203)
P	Hybrid capital		1,586	1,587	1	1
Q	Expected pay-out		(1,790)	(1,790)	-	-
R	Deferred tax		1,125	1,194	69	69
S	Intangibles		(934)	(949)	(15)	(15)
T	Total available capital		9,653	9,505	(148)	(148)
U	Buffer to `A` range		8%	3%/11%	-5%	-5%
V	Buffer in DKKm		694	231	(463)	(463)

* Includes a full year Moderna effect

The simplified model is disclosed to give insight into the capital planning in TrygVesta and will be updated on the www.trygvesta.com/Investor every quarter on the same dates as the financial results. The model is a simplified version of the internal S&P's capital model, however, the results give guidance to the capitalisation of the Group. The results can not be viewed as the opinion of either rating agencies.

Capital strategy

TrygVesta follows an active capital strategy and coordinates the capital planning with risk management. Both capital planning and risk management are supported by the internal ALM framework. The capital structure is continuously optimised while maintaining the necessary security for the stakeholders in TrygVesta and room for growth and development in the Group.

TrygVesta is rated once a year by Standard & Poor's and Moody's. The targeted rating is to sustain a minimum rating of 'A-' and A3 respectively. This target satisfies the demand for security by the corporate customers and the broker sales channel and gives a high degree of certainty that TrygVesta will be able to execute the business strategy and still service our debtors.

TrygVesta's dividend policy is to pay out a minimum of 50% of the results as a cash dividend and to return any excess capital to the shareholders as share buy backs. The dividend policy is thereby also based on risk management and is derived from the capital strategy.

The ratings from Standard & Poor's and Moody's are given as part of an interactive rating process. Standard & Poor's uses a capital model, however, only as one of several criteria and parameters on which TrygVesta is examined. Other criteria may be risk profile, risk management, strategy, corporate management, current and potential profitability. Moody's does not apply an explicit capital model.

The capital model – determination of target capital and available capital

Standard & Poor's capital model determines a target capital required per rating class ('AAA', 'AA', 'A' and 'BBB') reflecting different confidence levels in the risk distribution. The capital model is a multi-factor model with a required capital, based on insurance related risks (Liability Risk) and investment and credit risk (Asset Risk) including diversification effects between the asset and liability risks, however, with a 50% hair-cut of the effect. All other transfer effects are not accounted for in the model. In particular risk hedging is not accounted for hereunder the currency effect for premiums and claims in foreign subsidiaries.

In the capital model, TrygVesta's targeted rating of 'A-' corresponds to the minimum required capital for an 'A' level. To avoid adverse changes to the rating, the capital target is set at 5% above the minimum level.

A simplified version of the capital model is disclosed every quarter with explanation of the elements and differences in results to the full internal capital model which is not disclosed in public. The alphabetic reference is to the corresponding lines in the capital model presented in the table on page 3.

Asset risk

The required capital for asset risk (E) is calculated in the full model by multiplying different factors to the amounts invested per asset class, a charge for reinsurance credit risk and a general asset risk charge for all other assets. The following components are charged:

- Bonds, by credit rating and duration
- Equities, by land of origin
- Real estate portfolio
- Receivables and outstanding reserves by re-insurers' credit rating
- A general credit risk adjustment of 6.6% on assets

The charge for asset risks varies significantly between asset classes, and the total risk charge is therefore dependent on the actual investment mix and size of portfolio.

Liability risk

The required capital for liability risk is comprised of five different components.

- Premium risk
- Reserve risk
- Workers' compensation insurance risk (annuities)
- Catastrophe risk
- TrygVesta Garanti

The premium risk (F) is calculated in the full model by multiplying different factors to the annualised net premium per line of business. These factors range from 13% to 30% depending on line of business. Liability risk is the type of risk that has the highest charge i.e. 30%. The required capital for reserve risk (G) is calculated in the full model by multiplying different factors to the net discounted reserves per line of business. These factors range from 9% to 26%, where accident & health has the highest risk charge.

Reserves for annuities in Danish workers' compensation insurance are separated out and treated as a life insurance risk in the model.

A capital charge for catastrophe risk was added to the capital model in 2007. The calculation includes the net exposure for the 1-in-250 year scenario for property risk. TrygVesta's reinsurance programme covers the 1-in-250 year event on an occurrence basis with a retention of DKK 100m.

The required capital for TrygVesta Garanti's insurance bond portfolio (J) is the result of taking the historically largest loss in any one year related to that year's gross exposure and then applying this to the current exposure of the insurance bond portfolio.

Total adjusted capital (TAC)

The available capital is based on the equity position adjusted for different accounting measures and hybrid equity. The equity (O) is adjusted for the following accounting issues:

- Hybrid / Subordinated Capital
- Expected payout (Q)
- Equalisation reserves (R)
- Intangible assets (S)

Hybrid Capital can count for up to 25% of the available capital for 'A' rated companies. Equalization reserves can also be counted as available capital. According to IFRS the equalization and security reserves are no longer booked as liabilities, but are part of the equity position after deduction of deferred tax liabilities. In the Standard & Poor's total adjusted capital, these reserves are included in full (without deduction for deferred tax), whence the deferred tax liability is being added. Intangible assets and expected dividends are deducted from the available capital.